

**Fortis Healthcare Limited**

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FHL/SEC/STEX/RR/2018-19

May 1, 2018

**The National Stock Exchange of India Ltd.
Corporate Communications Department
“Exchange Plaza”, 5th Floor, Bandra-Kurla
Complex, Bandra (East), Mumbai - 400051
Scrip Symbol: FORTIS**

**BSE Limited
Corporate Services Department,
Phiroze Jeejeebhoy Towers Dalal
Street, Mumbai – 400 001
Scrip Code:532843**

Sub: Regulation 30 Update –Munjals and Burmans modified Investment Proposal

Dear Sir(s),

This is in continuation to our letter Ref. No. FHL/SEC/STEX/RR/2018-19 dated April 23, 2018 whereby, it was informed that the Board of Directors of Fortis Healthcare Limited (“**the Company**”) has received a letter, extending the validity period of Improved Offer till May 4, 2018, and all other terms and conditions of the Improved Offer remain unchanged, from Munjal’s Office and Burman’s Office with a proposal to invest in the Company.

It is hereby informed that the Company today i.e. May 1, 2018, has received modified Investment Proposal, as attached herewith, from Munjal’s Office and Burman’s Office to invest directly into the Company.

We will keep the stock exchanges updated/informed in terms of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

This is for your information and records please. We assure you of our full cooperation at all times.

You are kindly requested to take the same on record.

Thanking you,
Yours faithfully

For Fortis Healthcare Limited

RAHUL
RANJAN
Digitally signed
by RAHUL
RANJAN
Date: 2018.05.01
12:04:20 +05'30'

**Rahul Ranjan
Company Secretary
M. No. ACS 17035
Encl: a/a**

FORTIS HEALTHCARE LIMITED

Regd. Office: Fortis Hospital, Sector 62, Phase – VIII, Mohali – 160062
Tel: 0172-5096001, Fax : 0172-5096221, CIN : L85110PB1996PLC045933

1st May 2018

To:
The Board of Directors,
Fortis Healthcare Limited

Dear Directors,

Subject: Revised Binding Offer to Invest INR 1,800 crores Directly into Fortis Healthcare Limited (“Company” or “Fortis”)

We refer to the binding offers made by the representative of the Hero Enterprise Investment Office and the representative of the Burman Family Office (collectively referred to as the “Investors” or “we” or “us”). Our first binding offer was made by us vide our letter dated 12th April 2018. Thereafter, vide our letter dated 18th April 2018, we replaced our first binding offer with an improved offer to invest INR 1,500 crores into the Company (“**Improved Offer**”).

Taking into account the final bid process outlined by you in the stock exchange announcement of 28th April 2018, and based on our judgment of the sentiments of the shareholders and other stakeholders, we are now making our final Investment Proposal (as elaborated hereafter).

A. Our Investment Philosophy

Our investment philosophy has been to focus on areas which offer significant positive impact and benefit to society and at the same time provide healthy returns to all stakeholders.

We are passionate about, and engaged in, the Indian healthcare ecosystem. Currently, the growth and improvement of the healthcare system is a crying need of the nation in terms of both quality and reach. We believe that Fortis is an asset of national importance that can have a significant impact on the quality of Indian healthcare. Hence, we are keen to invest in Fortis with an ultimate objective to create greater value for all the stakeholders including shareholders.

B. Our Investment Proposal

With the above background, we are presenting a revised investment proposal along with a roadmap for the Company's future, recognizing the urgent liquidity requirements of the Company and the need to stabilize the Company's operations. We are making the following further revised and improved **binding offer** which in our view is **transparent, straight forward, attractive and quick to implement. Importantly, our entire investment proposal will be implemented without any due diligence.** We propose to invest **INR 1,800 crores directly into the Company** on the terms set out in this paragraph ("**Investment Proposal**"):

- i. We will invest an amount of (a) INR 800 crores through preferential issue of equity shares, and (b) INR 1,000 crores through preferential issue of warrants; based on the current business and financial position of the Company as reflected in the Company's various public filings, and taking into account information in the public domain. Hence, including the warrant subscription amount, our **upfront investment into the Company will be INR 1,050 crores** (*i.e.*, INR 800 crores through preferential issue of equity shares plus INR 250 crores being an amount equivalent to 25% of the consideration for the warrants at the time of allotment of warrants as per SEBI ICDR guidelines).
- ii. The above investment shall be made immediately on acceptance of our Investment Proposal and after obtaining shareholder and other requisite approvals.
- iii. The allotment and pricing for the **preferential issue of equity shares** for INR 800 crores shall be at INR 167.00 per share or as per SEBI ICDR guidelines, whichever is higher.
- iv. The allotment and pricing for the **preferential issue of warrants** for INR 1,000 crores shall be at INR 176.00 per share or as per SEBI ICDR guidelines, whichever is higher.
- v. The exercise of the warrants by us will be timed in a manner that will enable the Company to meet its liquidity requirements. We believe that such exercise is likely to take place within 4 months.

- vi. Utilization of proceeds from the preferential issue shall primarily be for the purposes of payment of employee dues, repayment of loans which have matured, payment to the most pressing creditors and for any other purposes as felt essential and is approved by the Board.
- vii. For the above investments, we seek three board seats to act in the interest of all stakeholders. Our nominees should be appointed contemporaneously with our upfront investment and should constitute a minority on the Board of the Company.
- viii. This Investment Proposal will be implemented through the signatories and/or their affiliates.

Our Investment Proposal has a premium built into the share price considering (i) the prevailing market price, (ii) the volume weighted average market price over the last 3 months, (iii) the timing and quantum of our full investment (being made without any diligence), and (iv) several risks, challenges and legal proceedings being faced by the Company.

C. Suggested Roadmap for Fortis

Based on our current understanding from publicly available information we have the following suggestions and recommendations that the Company may wish to consider:

1. Suggested Action Plan for Fortis

We recommend that the Company implements a strong communications strategy to improve the morale across the organisation, along with taking necessary steps to retain key medical practitioners/doctors, institutionalising processes, making patient life cycle processes transparent, improving relationships with all stakeholders and building a robust expansion plan.

We will also endeavour that the Company gains access to international best practices and pursues opportunities that enrich its experience and knowledge, both internally and externally.

2. Our Suggested Action Plan for the SRL Business

- i. The hospital business is currently facing many challenges and hence there is a need for Fortis to focus sharply on this business and build a high quality enterprise by providing best in class care to the patients with healthy returns to the shareholders. Therefore, we believe the hospital business would require undivided attention and single minded focus of the management team. In order to do so, we recommend divesting the Company's stake in SRL.
- ii. We also understand that some of the private equity investors in SRL have been invested for a long period of time and are looking for an early exit. We will work with the Company to endeavour to provide them a fair and timely exit.

In order to achieve the two objectives highlighted above, we propose a strategic sale of the SRL business. It is our understanding that given the size, scale and pan India presence of SRL, there is already definite and serious interest from strategic and financial investors to acquire the SRL business. To maximize returns for Company's shareholders, we recommend running an independent competitive sale process for this purpose.

3. Our Suggested Solution for RHT Transaction

i. Plan A

As discussed above, we propose that the Company should divest its stake in SRL. The sale proceeds received on account of such divestment should be utilised towards the buyout of the portfolio of assets held by RHT. The balance funding required for the RHT transaction will be met through a Rights Issue.

ii. Plan B

In the unlikely case of any delay in the sale of SRL stake, the RHT transaction should be funded through a larger Rights Issue. In this scenario, as and when the SRL business is sold, the proceeds from such sale would be deployed towards the reduction of the Company's leverage and for meeting additional long term capital expenditure needs of the Company.

We will endeavour to support the Company with arranging any further funding requirement for the RHT buyout.

D. Key Highlights of Our Offer

For comparison purposes as against our Improved Offer, we have outlined below some select features of the Investment Proposal:

#	Description	Improved Offer	Investment Proposal
i.	Direct Infusion Into the Company	INR 1,500 crores	INR 1,800 crores
ii.	Upfront Liquidity	INR 750 crores	INR 1,050 crores
iii.	Price per share	Higher of: 1. INR 156.00 per share 2. SEBI ICDR guidelines	Higher of: 1. INR 167.00 per share 2. SEBI ICDR guidelines
iv.	Price per warrant	Higher of: 1. INR 161.60 per warrant 2. SEBI ICDR guidelines	Higher of: 1. INR 176.00 per warrant 2. SEBI ICDR guidelines
v.	Board Seats	Two	Three

Other Key Features

In addition, we have also suggested an achievable strategy for Fortis and feasible solutions for the SRL business and buyout of RHT's assets.

The rationale for Rights Issue by the Company, envisaged for the funding of the RHT transaction is to provide an equal opportunity to the existing shareholders to participate in the future growth prospects of the Company and remain invested as partners in the long-term growth of the Company without dilution.

E. Our Edge

1. Hero and Dabur are amongst India's most trusted names with unmatched recognition and have a successful track record of building exemplary and scaled businesses **including in complex and challenging environment;**

2. Both Groups are passionate about the healthcare sector as a *Commitment to Nation Building*;
3. Mr Munjal heads Dayanand Medical College and Hospital, a leading hospital in North India; and the Burmans have successfully built Dabur Pharma, HealthCare at HOME and Oncquest;
4. Both Groups have an impeccable track record in governance and transparency; and
5. Being long term investors we are dedicated to build sustainable businesses while creating value for all stakeholders.

F. Other Terms

1. This Investment Proposal (being an improvement to the Improved Offer) replaces the Improved Offer in its entirety, and shall remain valid until 15th May 2018, or as otherwise extended by us in writing ("**Validity Period**").
2. Kindly note that in the event the Company permits any other party to conduct a due diligence during the Validity Period, we shall also seek to carry out a due diligence and this Investment Proposal shall then be subject to such due diligence to our satisfaction.
3. To conclude, we believe that there are several compelling reasons for our Investment Proposal to be put forward to the shareholders for their urgent consideration as it is in the best interest of all concerned for the following reasons:
 - i. Significant investment amount of INR 1,800 crores directly into the Company without any due diligence;
 - ii. Simple, straightforward and quickest to implement to provide liquidity to the Company;
 - iii. The Investment Proposal involves no change in structure and is not disruptive;
 - iv. Most transparent and easy to implement and hence faster regulatory approvals - including greater certainty in obtaining the approval of the Competition Commission of India; and
 - v. No duplication of resources, hence ensuring least redundancies from employees' perspective.

We will remain available for any details and clarifications that you may need, and for further meetings/discussions with the Expert Advisory Committee on this matter. We are fully committed to moving ahead with the Investment Proposal and also look forward to hearing back from you on the acceptance of this Investment Proposal and next steps.

Yours sincerely,

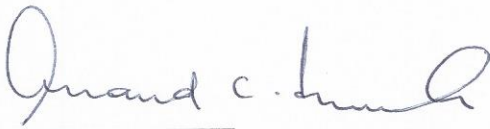


Sunil Kant Munjal

Designated Partner

Global Ivy Ventures LLP

(Part of Hero Enterprise Investment Office)



Dr. Anand C. Burman

Authorized Signatory

M. B. Finmart Pvt. Ltd., Puran Associates Pvt. Ltd., V I C Enterprises Pvt. Ltd., Milky Investment & Trading Co. Ltd. and Affiliates

(Part of Burman Family Office)

Copy to:

Rahul Ranjan

Company Secretary, Fortis Healthcare Limited